

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 EB-11 IGA-02 AGR-20 SWF-02 PM-07

NSC-07 SPC-03 SS-20 RSC-01 CIAE-00 DODE-00 INR-10

NSAE-00 PA-04 USIA-15 PRS-01 DRC-01 COME-00 TRSE-00

OMB-01 IO-14 /189 W

----- 035422

R 300415Z MAR 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 2575

INFO AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE SECTION 1 OF 2 DACCA 1397

E.O. 11652: N/A

TAGS: EAID, BG

SUBJ: REVIEW OF FOOD GRAIN SITUATION FOR CY 74

REF: A. DACCA 1100; B. STATE 1164

SUMMARY: REVIEW OF AVAILABLE DATA SUGGESTS BDG RATION SYSTEM MAY BE ADEQUATELY SUPPLIED THIS CY 74 PROVIDED REPEAT PROVIDED OFFTAKES JUDICIOUSLY CONTROLLED. THE ACCOMPLISHMENT THIS OBJECTIVE WILL PLACE EXTREME PRESSURES ON ADMINISTRATIVE STRUCTURE AND POLITICAL WILL OF BDG; WHETHER IT IS FULLY UP TO TASK IS AN OPEN QUESTION. FOR COUNTRY AS A WHOLE, HIGHER DOMESTIC RICE PRICES WILL FURTHER COMPOUND FOOD SITUATION FOR THE POOR IF BORO OR AUS HARVEST ARE OFF. EARLY SHIPMENT 73,000 TONS URGED. END SUMMARY.

1. FOOD PURCHASES-THE BDG IS PRESENTLY REEVALUATING ADP AND IMPORT PRIORITIES IN LIGHT OF DOMESTIC AND FOREX SHORTFALLS. EVEN ASSUMING SOFT TERMS FOR TOTAL FIRM AND SCHEDULED COMMITMENTS ITEMIZED PARA 2 BELOW, THESE PURCHASES REPRESENT FULL \$140 MILLION FY 74 ALLOCATION. IT REMAINS TO BE SEEN WHETHER BDG WILL PURCHASE UPWARDS OF 220,000 MT FOODGRAIN PRESENTLY UNDER NEGOTIATION. VERY TIGHT FOREX POSITION SUGGESTS NO NEW PURCHASES WILL BE MADE UNLESS CY 74 BORO
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AND AUS HARVESTS POOR.

2. SUMMARY OF KNOWN FOOD GRAIN PURCHASES AND THOSE UNDER NEGOTIATION IN MT:

	TERMS	MT(000)	DELIVERY
A. USA	TITLE 1	73	JULY-AUGUST
	COMMERCIAL	200	BY JUNE ONE
	(C AND F PRICE \$236)		
	COMMERCIAL	275	75 BY JUNE ONE
	75 C AND F \$236,	200	JULY-SEPT
	200 C AND F \$219 (REF B)		
B. JAPAN	LONG-TERM CREDIT	23	BY JUNE ONE
	(BALANCE OF 90		
	LONG TERM CONTRACT)		
	GRANT (KENNEDY ROUND)	4	BY JUNE ONE
C. AUSTRALIA	GRANT	66	BY JUNE ONE
	18 MO. CREDIT (PRICE		
	UNKNOWN BUT SAID TO BE		
	"CONCESSIONAL")	300	240 BY JUNE ONE
D. CANADA	GRANT	90	BY OCTOBER
	LONG-TERM CREDIT (FOB		
	\$205)	190	BY JULY
	UNDER NEGOTIATION	220	
E. EEC	NO DECISION AS YET	100	MINIMUM
	EXPECTED CY 74		
F. USSR	BDG REPORTEDLY HAS REQUESTED RESCHEDULING		
	OF 200 REPLACEMENT DUE		
	BY MARCH 31, 1974		

ESTIMATED COMMITMENTS FOR DELIVERY:

BY JUNE ONE	608
JUNE 1 TO END CY 74	613
EEC, AND UNDER NEGOTIATION	320
TOTAL	1,541

3. PROJECTED STOCK, OFFTAKE AND ARRIVAL SITUATION-FOLLOWING ARRIVAL LIMITED OFFICIAL USE

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FIGURES PER PARA 4 BELOW, TOTAL 664 MT INCLUDING SOME CY 73 CARRY-OVER. THESE BD TRANSPORT TASK GROUP ESTIMATES ALSO INCLUDE ESTIMATED JUNE ARRIVALS AT 104, AND JULY AT 163. SOME DELIVERY SLIPPAGE WILL MOST LIKELY OCCUR. IN VIEW TIGHT SITUATION, REDUCED OFFTAKE END CY 73, AND RE-EXAMINATION RATION SHOP SYSTEM MENTIONED PARA 9 BELOW, USAID ESTIMATED SLIGHTLY LOWER OFFTAKES FOR CY 74 THAN COMPARABLE MONTHS IN CY 72 AND CY 73. NO DOMESTIC PROCUREMENTS AMOUNTS INCLUDED THESE OFFTAKE ESTIMATES (REF A) WHICH PROVIDE

LIMITED CUSHION. OFFICIAL DATA ON PAST FIVE MONTHS STOCK UNAVAILABLE.

4. PROJECTED STOCK, OFFTAKE, AND ARRIVAL SITUATION, FIRST HALF
CY 74, IN MT:

OFFTAKES CY 72/CY 73

A. JAN	STOCK (OPENING)	238
	OFFTAKE	127 83/143
	ARRIVAL	124
B. FEB	STOCK	235
	OFFTAKE (EST.)	150 132/157
	ARRIVAL	81
C. MAR	STOCK	166
	OFFTAKE (EST.)	170 193/175
	ARRIVAL	96
D. APR	STOCK	92
	OFFTAKE (EST.)	190 185/206
	ARRIVAL	236
E. MAY	STOCK	138
	OFFTAKE (EST.)	220 230/253
	ARRIVAL	127
F. JUNE ONE	STOCK	45

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5. AGRICULTURAL INPUTS-REVIEW OF AGRICULTURAL INPUTS SITUATION

WITH TWO JOINT SECRETARIES (MINISTRY OF AGRICULTURE) SUGGEST FERTILIZER AND POL STOCK PICTURE ADEQUATE FOR BORO. INPUT AVAILABILITY LESS ADEQUATE FOR AUS AND AMAN. NO UREA IMPORTS NEEDED THIS BORO, AND STOCK AND PRODUCTION POSITION ADEQUATE COMING AUS AND AMAN. TSP AND MP STOCK POSITION ADEQUATE THIS BORO, WITH SCHEDULE IMPORTS FALLING SHORT AMAN REQUIREMENTS. HOWEVER REVIEW OF DISTRIBUTION SITUATION FOR BORO WITH DIRECTOR PLANT PROTECTION SUGGEST LESS SANGUINE OUTLOOK. FERTILIZER AND PESTICIDE USE LESS THAN FOR LAST BORO CROP FOR REASONS OF POOR DISTRIBUTION AND LACK OF CREDIT. OF ESTIMATED 28,000 LOW LIFT PUMPS FIELDDED, 18,000 ARE WORKING; THIS SAID TO BE A LOWER NUMBER THAN LAST YEAR. SUPPLY HSD FOR IRRIGATION PUMPS ADEQUATE THIS BORO SIMPLY BECAUSE NUMBERS OF PUMPS DOWN FOR LACK OF SPARES AND LOW NUMBER OPERATING HOURS EACH PUMP.

6. HARVEST-AMAN HARVEST SINGLE MOST IMPORTANT FACTOR DETERMINING RURAL FOOD SITUATION FOR THE REMAINING CY. LAST HARVEST SAID TO BE BEST EVER, UPWARDS OF 7.5 MMT AND POSSIBLE 8.0 MMT. BDG HAS NOT YET MADE BORO ESTIMATE. HARVEST PROSPECT INITIALLY EXPECTED TO BE GOOD BECAUSE ACREAGE UP BY 10-20 PERCENT, AND INPUT SITUATION ADEQUATE. HOWEVER, UPON CLOSER REVIEW WITH DIRECTOR PLANT PROTECTION, HARVEST MAY BE LESS THAN THE 2.15 MMT OF LAST BORO. BORO SEED TRANSPLANT-LIMITED OFFICIAL USE

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TATION DELAY OF ONE MONTH HAS INCREASED CROP'S VULNERABILITY TO PESTS, POL SHORTFALLS, DROUGHT AND EARLY FLOODING IN LOW LYING AREAS. SLIGHT PEST LOSS HAS ALREADY OCCURRED. LATE BORO HARVEST WILL REDUCE AUS ACREAGE AND POSSIBLY REDUCE JUTE HARVEST.

7. PRICES-IN FEB 20- MAR 20 PERIOD, DATA THAT ARE AVAILABLE FROM STATISTICS DEPT. (FOOD MINISTRY) SHOWS AVERAGE COARSE RICE PRICE ROSE FROM TK. 97 TO TK 111 MD. LAST YEAR THIS TIME, AFTER POOR AMAN, PRICE WAS IN RANGE TK. 80-90 MD. BDG DEFICIT FINANCING HAS CONTRIBUTED TO PRICE INFLATION OF THIS ORDER OF MAGNITUDE. RICE PRICE DROP IN VILLAGES DURING AMAN HARVEST WAS MAGNITUDE 40-50 PERCENT BUT EXTREMELY SHORTLIVED, IN PART BECAUSE PRICE DROP PRECEDED ANNOUNCEMENT BDG PROCUREMENT PROGRAM.

8. FOOD SITUATION IN DACCA-ACCORDING TO MAJOR RICE TRADER, PRESENT COARSE RICE PRICE OF TK. 124/MD. EXPECTED TO CLIMB TO TK. 150-175/MD. NEXT FEW MONTHS. TRADER ALSO PREDICTED TK. 15-20/MD. PRICE DROP WITH BORO HARVEST TO BE SHORT LIVED BECAUSE OF POSSIBLE DROUGHT. PRIVATE RICE SUPPLIES IN DACCA SAID BY TRADER TO BE ONE THIRD OF LAST YEAR'S LEVELS THIS TIME OF YEAR; IN TRADER'S VIEW SOME OF LARGE AMAN IS SAID TO HAVE GONE TO INDIA. USAID STAFF IMPRESSION THIS DACCA FOOD DEFICIT IS ONLY PARTIALLY BEING MET WITH MARKET WHEAT SUPPLIES. VERY POOR OF DACCA (SAY 10 PERCENT OF CITY POPULATION) DO NOT HAVE RATION CARDS. THOSE POOR THAT DO HAVE CARDS ARE FORCED TO SELL PORTIONS OF RATION TO PURCHASE OTHER NEEDS.

9. OTHER FACTORS. ABOVE REVIEW ATTEMPTS TO ASSESS AND INTERPRET

THE FOOD GRAIN SITUATION FROM AN OBJECTIVE POINT OF VIEW. FACTORS WHICH BEAR DIRECTLY ON FOOD GRAIN SUPPLY AND DISTRIBUTION HAVE BEEN CONSIDERED USING THE BEST SUITABLE DATA AND ESTIMATES. HOWEVER, THERE ARE MANY OTHER FACTORS OF EITHER A SUBJECTIVE OR INDIRECT NATURE WHICH SHOULD BE KEPT IN MIND BECAUSE IN TOTAL EFFECT ON SUPPLIES THEY MAY OFTEN BE MORE IMPORTANT THAN MORE OBVIOUS CONSIDERATIONS. FOR INSTANCE, WHEN STOCKS ARE DOWN TO SUCH LOW LEVELS THAT NO RESERVES ARE AVAILABLE TO COVER LOCALIZED SHORTAGES, PUBLIC MAY PERCEIVE AND CREATE REAL SHORTAGE BY HOARDING AND INCREASING DEMANDS. THIS COULD LEAD TO FIRST FOOD RIOTS HERE, SIMILAR TO THOSE RECENTLY EXPERIENCED IN INDIA, AND PLACE CRITICAL PRESSURE ON THE SHAKY LAW AND ORDER CONDITIONS. ANOTHER EXAMPLE IS HOW CONTINUED BDG DEFICIT FINANCING THROUGH MID CY 74 IS ALREADY COMPOUNDING RICE PRICE PROBLEM. THE BALANCE OF FOOD ARRIVALS AND LIMITED OFFICIAL USE

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RATION REQUIREMENTS REVIEWED HERE ALLOWS PRACTICALLY NO LEEWAY FOR ANY CHANGES IN BEHAVIOR PATTERNS OF THE POPULATION; SO IT IS EXTREMELY VULNERABLE TO ANY SIGNIFICANT POLITICAL OR ECONOMIC CHANGES OR TO EFFECTS OF POSSIBLE NATURAL DISASTERS.

10. CONCLUSION-AS MENTIONED PARA ONE, CURRENTLY ALLOCATED FOREX POSITION MAY PREVENT BDG FROM MAKING ADDITIONAL PURCHASES, PRESENTLY UNDER NEGOTIATION, FOR RATION SYSTEM. THIS WOULD NECESSITATE LOWER OFFTAKES MID-CY 74 THAN THOSE ESTIMATED PARA FOUR TO BUILD UP STOCKS FOR IMMEDIATE PRE-AMAN RELATIVELY HIGHER PRICE PERIOD. JOINT SECRETARY, MINISTRY OF FOOD, HAS ADVISED THAT RATION SYSTEM, AND DEGREE TO WHICH IT SERVES THE VERY POOR, IS BEING GIVEN QUOTE HARD LOOK UNQUOTE AT HIGHEST LEVELS IN BDG. IF BDG DOES TIGHTLY CONTROL RATION OFFTAKES AND ITS RECIPIENTS THEN, BARRING POOR BORO AND AUS HARVESTS, RATION SYSTEM AND COUNTRY AS A WHOLE CAN BE EXPECTED BARELY GET BY THIS CY WITH PRESENT PIPELINE. HOWEVER, WITHOUT THESE "IFS", REQUIREMENTS FOR RATION SHOP COULD BE BETWEEN 900 TO 950,000. ESTIMATED FOOD GRAIN AMOUNTS PARA TWO SUGGEST UPWARDS OF 600,000 MT MAY BE DELIVERED LAST HALF CY 74. POSSIBLE DETERIORATION OF PRICE AND HARVEST SITUATION NEXT FEW MONTHS (SEE PARA 5.8 ABOVE) MAY FORCE BDG TO PURCHASE AMOUNTS UNDER NEGOTIATION AND POSSIBLY MORE TO MEET THIS SHORTFALL. 73,000 MT CLEARLY NEEDED TO HELP MEET DEFICIT. THEREFORE, URGE EARLIEST POSSIBLE SHIPMENT.

11. SEPTTEL BEING PREPARED WHICH ANALYZES LONGER TERM SITUATION AND IMPLICATIONS FOR FY 75 TITLE I PL 480 PROGRAM HERE. DECONTROL FOLLOWING MARCH 29, 1975. NEWBERRY

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